

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

**Hearing to Receive Testimony of
Secretary of the Treasury, John Snow
March 25, 2004**

Good morning, Mr. Secretary, and welcome to the Committee.

We look forward to your testimony on the state of the international financial system. This hearing has its origins in the emerging market financial crises of the late 1990s and subsequent reform of the international financial institutions. The goal was to make the International Monetary Fund, the World Bank, and the regional development banks more effective at promoting and delivering economic growth, particularly in the emerging markets.

Congress exercises its oversight regarding the reform efforts by requiring the Secretary of the Treasury to report annually to Congress. Since the G-7 is integral to reform, we also seek perspective on the G-7 agenda for both global growth and development policy.

Mr. Secretary, the Treasury Department has engaged in a number of successful international programs over the last year. Let me focus on a few of the more important initiatives.

Fostering Global Growth

- The Treasury Department under your leadership has taken a broad view of how to link development, trade, and macroeconomic policy to create an environment that can foster global growth. The Treasury's leadership in working with our G-7 allies to craft an international "Agenda for Growth" is to be commended. Last week, the Council on Foreign Relations released a study that identified transatlantic economic cooperation as one of five key ways to strengthen the relationship between the U.S. and the E.U. They noted in particular that transatlantic commerce approaches \$2.5 trillion per year and employs directly or indirectly some 12 million workers in Europe and the United States. It's good to see that increased regulatory transparency and coordination have been identified as areas for additional work within the G-7. One area of particular interest in this connection is the U.S.-E.U. regulatory dialogue. Economic growth cannot occur if financial institutions are overburdened with conflicting regulatory standards. I will be particularly interested to learn how the U.S.-E.U. dialogue can be used to promote growth across the Atlantic and reduce costly regulatory barriers, where appropriate.

I note also the importance that remittances can play to generate real economic growth in emerging markets throughout the world, not just Latin America. Remittances between established and emerging economies foster growth in both types of economies simultaneously. I will be interested in hearing your views on how unnecessary costs can be eliminated in this area. As you know, this is an issue of importance to this Committee. We held a hearing on the issue last fall, and recently some Members of this Committee sent you and Ambassador Zoellick a letter on the topic.

Free Trade

- As you know, I believe firmly that free trade and growth through exports is a fundamental building block for economic prosperity and democracy, both at home and abroad. The Treasury Department, through the Executive Directors at the multilateral lending institutions, has encouraged the establishment of programs aimed at creating market-based economies that are open to trade.

At home, the Treasury Department is the lead negotiator for the financial services chapters of all trade agreements. I support your efforts to open markets for our financial services firms and your efforts to create trade-friendly environments to help emerging market economies grow.

Flexible Exchange Rates

- Through the G-7, you have provided leadership and support for countries around the world to move towards flexible, market-driven exchange rates. As you know, I co-sponsored H.Res. 414 last fall. That resolution promised that Congress would work with the Administration to help China move as quickly as possible to a more flexible exchange rate. Since that time, the Treasury Department has dispatched a team of technical experts to advise the Government of China, and China has announced that it will move towards a more flexible exchange rate system in six years. These are promising developments.

Performance-Based Standards for Development Programs

- The Treasury Department has shown great leadership in fostering the development of performance-based standards for development programs both within the World Bank and at home, with the Millennium Challenge Account.

You have also led the effort to incorporate external audits of performance standards within development institutions. This is particularly positive, since appropriations for the multilateral institutions are now expressly conditioned on such external audits occurring. We look forward to seeing progress in this area.

Rebuilding Financial Systems in Iraq and Afghanistan

- The Treasury Department and its civilian employees have been among the first and most successful teams on the ground in Iraq and Afghanistan. No economy can function without reliable banking and payment systems, and your team has helped create new currencies, banking systems, modern payment systems, and free and open capital markets. I congratulate you and the people who work under dangerous conditions to make these things happen.

Argentina and the IMF

- Challenges remain, of course. The most critical of these challenges is, once again, Argentina and its relationship to the IMF. Since being cut off from international capital markets, Argentina's economy has grown because it has not been paying its debts; it has been servicing debts to one development institution with payments from another.

This sends troubling signals to other sovereign borrowers around the world, especially those who continue to service their debt in good faith. I will be very interested to hear your views on how the Argentine situation can affect the reform debate within the G-7 and the IMF.

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